

**BUSINESS PROCESS RE-ENGINEERING IMPLEMENTATION AND  
ORGANIZATIONAL PERFORMANCE:  
THE CASE OF KENYA REVENUE AUTHORITY**

**By**

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**A Research Project Submitted in Partial Fulfillment of the Requirements for  
Award of the Degree of Master of Business Administration, School of  
Business, University of Nairobi**

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## DECLARATION

This research project proposal is my original work and has not been presented for a degree in any other university

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This research project has been submitted for examination with my approval as university supervisor

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## **DEDICATION**

This project is dedicated to my parents Mr. D. M. O. Odede and Mrs. D. V. Odede, whose support and encouragement is beyond words.

## **ACKNOWLEDGEMENT**

There are several important people I would like to convey my sincere thanks for making this research project a success. First and foremost I thank God for giving me strength, good health and enabling me to research and compile this study.

Secondly, I wish to express my sincere appreciation to my supervisor Mr. Joel K. Lelei for his patience, constructive comments, assistance, and dedication throughout compilation of this project. His invaluable experience has enriched my understanding in conducting academic research.

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## LIST OF ACRONYMS

<b>ADKAR:</b>	Awareness, Desire, Knowledge, Ability and Reinforcement
<b>BAP:</b>	Business Automation Project
<b>BPR:</b>	Business Process Re-engineering
<b>CSF:</b>	Critical Success Factors
<b>DRBCP:</b>	Disaster Recovery and Business Continuity Plan
<b>ERP:</b>	Enterprise Resource Planning
<b>HR:</b>	Human Resource
<b>IT:</b>	Information Technology
<b>ICT:</b>	Information and Communication Technology
<b>KRA:</b>	Kenya Revenue Authority
<b>PIT:</b>	Project Implementation Team
<b>RARMP:</b>	Revenue Administration Reform and Modernization Programme
<b>SPSS:</b>	Statistical Program for the Social Sciences

## **ABSTRACT**

The study sought to establish factors for successful implementation of business process reengineering initiatives and determine the impact of the success factors on the performance at Kenya Revenue Authority. Emphasis was on the following research objectives; to establish the factors for successful implementation of business process reengineering initiatives in KRA and to determine how business processes reengineering initiatives have impacted on KRA's performance. Primary data was collected through questionnaires distributed to the different management cadres of KRA. Stratified random sampling was used to select 110 target respondents. Data collected was analyzed by using frequencies, percentage, mean, standard deviation and regression analysis, and then presented using tables, and charts. Results of the study indicate that Kenya Revenue Authority implemented business process reengineering initiatives in its operations. From the findings of the study, the respondents agreed unanimously that key among the drivers for BPR was involvement of the customer/stakeholder which had the highest rating. The performance dimensions which are improved by BPR include; customer service, process turnaround time, cost reduction, improved technology, competitiveness and revenue growth. The study's major limitation was that the targeted respondents were all employees of KRA, due to limited resources and time constraint only employees based in Nairobi (Head Office) were considered. In conclusion, on the whole there was a positive impact on the performance of KRA due to implementation of reengineering initiatives. Thus, other organizations should not fear implementing radical changes which affect the entire organization, as BPR can lead to overall improved performance.

# **CHAPTER ONE: INTRODUCTION**

## **1.1 Background of the Study**

According to Johnson and Scoles (2008), the environment is constantly changing and so it makes it imperative for organizations to constantly adapt their activities in order to succeed. Organizations continually monitor and improve their competitiveness to stay in business due to growth of international trade, demand for high quality products and services, increased competition in the global market, rapid development of new technologies as well as shortened product life cycles. Various organizational change approaches and methods have been developed to enhance business performance by making the organizations more effective, efficient, and responsive to the turbulent environmental changes. One such organizational change approach is business process reengineering.

Business process reengineering is the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service, and speed (Chase et al, 2004). Gouranourimi (2012) described business process reengineering as discrete initiatives intended to achieve radically redesigned and improved work processes in a bounded time frame. According to him an organization is considered as a collection of processes characterized as strategic, operational and enabling. Business process reengineering is the approach for redesigning the way work is done to better support the organization's mission and reduce cost.

Business process reengineering begins with a high level assessment of the organization's mission, strategic goals and customer needs. Reengineering of business processes leads to fundamental changes in many aspects of an organization, including organizational structure, job characteristics, performance measures and the reward system.

### **1.1.1 Business Process Reengineering**

Reengineering of business processes, calls for getting to the root of issues and making far reaching changes rather than superficial ones in order to effectively solve the underlying problems. It involves an interrogation of the status quo and questioning the way an organization

operates, the answers to these questions provide an insight as to why an organization does what it does. According to Gouranourimi (2012), business process reengineering differs from other change management techniques such as total quality management or continuous improvement process which entails programs and initiatives that emphasize on incremental improvement in work processes and outputs over an open-ended period of time. The differences extend to the organizational structure, the implementation time, results achieved and the basis upon which the whole procedure towards change and improvement is elaborated.

It has been observed that with radical changes and shifts associated with business process reengineering, there is likelihood that the BPR initiatives might not achieve the expected results (Ahmad et al, 2007). As a result, the implementation process is complex, and needs to be checked against several success/failure factors to ensure successful implementation, as well as avoid implementation pitfalls. Therefore essential components for success of business process reengineering initiatives must exist, such as: strategies and goals setting; factors relating to change management; management competency and support; organization structure; information technology infrastructure and the factors relating to BPR project management (Al-Mashari and Zairi, 2000).

The implementation of successful business process reengineering initiatives requires development of a practical conceptual model and/or methodology which directs the process of innovation and change. Lewin (1958) suggested a three phase change management model which involves the concept of 'Unfreezing- Transition- Freezing'. Alavi and Yoo, (1995) suggested a six-phase comprehensive reengineering model which include understanding, initiating, planning, programming, transforming, implementing, and evaluating. Prosci (1998) suggested the (ADKAR) change model depicting Awareness, Desire, Knowledge, Ability and Reinforcement.

According to Hayley et al (1993), organizational performance as a result of implementation BPR initiatives should be assessed along the dimensions of turnaround time an organization takes to deliver services, the quality of products and/or services, reduction in cost, improved technology, competitiveness, revenues and customer service. Al-Mashari and Zairi (2001) suggest that objectives of business reengineering are to deliver more value to the customer through rethinking of existing processes, use technology to improve data dissemination and decision making,

redesigning the functional organization into cross-functional teams. Thus for BPR to be considered successful, performance should be mapped against the set objectives for BPR to have a positive impact to an organization.

### **1.1.2 Kenya Revenue Authority**

Kenya Revenue Authority was established by an Act of Parliament, Chapter 469 of the Laws of Kenya, which became effective on 1st July 1995, for the purpose of enhancing the mobilization of government revenue, while providing effective tax administration and sustainability in revenue collection. Prior to 1995, the revenue collection functions of the Government were distributed among at least five different ministries and/or departments. The main objective of establishing the Authority was to streamline the public revenue-generation function by bringing the relevant agencies under the umbrella of the central finance agency under the Ministry of Finance. The board and management of Kenya Revenue Authority have since its inception spent time and resources setting up systems, procedures and the adoption of new strategies aimed at enhancing the operational efficiency of the Authority's processes. The functions of the Authority are to; assess, collect and account for all revenues in accordance with the written laws and the specified provisions of the written laws; advise on matters relating to tax administration and perform such other functions in relation to revenue as the minister may direct (KRA online, 2004).

The fourth corporate plan for KRA presents the authority's strategic direction for the years 2009/10 to 2011/12. The strategic theme during this period is to attain international best practice in revenue administration by investing in a professional team, deepening reforms and quality service delivery to enhance compliance. The core elements of this corporate plan is Kenya Revenue Authority's strategy which focuses on meeting international standards by relying on its staff to implement customer focused reforms and deliver services of the highest quality. The customer, adequately facilitated, is expected to voluntarily comply with existing tax legislation and thus enable the government to mobilize resources at minimal cost. This plan follows in the ambitious footsteps of the Second and Third Corporate plans whose goals were; to develop a dedicated and professional team, reengineer business processes and modernize technology, improve and expand taxpayer services and finally to enhance revenue collection and enforcement. However, there exist challenges that need to be addressed which include

improving business processes and integrating functions at operational level to facilitate taxpayer segmentation (Kenya Revenue Authority, 2009).

Kenya Revenue Authority realized that tax processes and procedures were considered complex and cumbersome by taxpayers, thus increasing cost of compliance. Hence, it initiated a number of reforms initiatives under the Revenue Administration Reform and Modernization Programme (RARMP) launched in 2004. RARMP was an offshoot of Kenya Revenue Authority's second corporate plan and International Monetary Fund (IMF) recommendations that included strategies to address the challenges KRA encountered towards meeting its mandate. The RARMP initiative encompasses seven projects which envision a fully automated Authority, organized along functional lines, responsive to the needs of its customers, efficient and effective and thus achieving revenue mobilization targets at least cost. The achievements of the Second and Third Corporate Plans (2003/04-2005/06 and 2006/07 -2008/09) have made it possible for Kenya Revenue Authority to bring the reform efforts to maturity (Kenya Revenue Authority, 2009).

One of the RARMP projects is the business automation project (BAP) which is a comprehensive initiative aiming to modernize and integrate business systems in use in the Authority in order to promote efficiency, effectiveness and to enhance tax compliance (Kenya Revenue Authority, 2009). The ongoing project undertakes to provide seamless sharing of information across KRA and interconnectivity with external systems of stakeholders to enable integrated electronic processing of tax returns and efficient enforcement. The project was enabled by the implementation of a number of reform initiatives one of which was the establishment of online services for taxpayers to access KRA services. Other initiatives included; improvements to the Authorities' ICT infrastructure and the implementation of Disaster Recovery and Business Continuity Plan (DRBCP), (Kenya Revenue Authority, 2009). Thus, the strategic objective of BAP in KRA was to reengineer business processes and modernizing technology by employing integrated solutions and processes that ensure operational excellence and single view of the taxpayer.

This study aims at reviewing the implementation of business process reengineering initiatives to boost the performance of Kenya Revenue Authority. Through the research proposed, the researcher focused on how business processes within Kenya Revenue Authority have been re-

engineered to assist the organization realize its strategic objective of becoming a leading revenue authority body in the world (Kenya Revenue Authority, 2009). Also incorporated is how reengineered business processes have impacted on KRA's performance.

## **1.2 Statement of the Problem**

The environment is constantly changing and so it is imperative for organizations to constantly adapt their activities in order to succeed (Johnson and Scoles, 2008). Business process reengineering has been touted as dramatic improvements necessary for organization competitiveness. BPR involves rethinking and radical redesign of business processes to achieve dramatic improvements in critical contemporary measures of performance such as cost, quality, service and speed (Chase et al, 2004). In spite of BPR's popularity, between 60 and 80 percent of reengineering efforts fail to achieve their goals (Hall et al, 1993). BPR initiatives constitute complex and challenging endeavors, and do not guarantee improved business performance. The failure of the BPR efforts could be attributed to challenges in the implementation process. Thus, there is need for a more systematic and rigorous assessment of the factors deemed important to BPR success.

Research on business process reengineering implementation and the resulting impact on organization performance have been undertaken in other countries and the findings have been documented. These findings may differ if applied in a Kenyan situation due to the different environments. Different researchers have focused on various aspects of business process reengineering; the competitive advantage of business process reengineering at Wrigley Company established that the organization gained competitive advantage by implementing BPR (Magutu et al, 2010). A study on human factors of business process reengineering at Kenya Commercial Bank was done by Mutinda (2009) and established that the organization incorporated human resource factor in development as well as implementation of BPR efforts. The role of information technology in business process reengineering established that IT was an enabler for BPR but not a solution (Akhavan et al, 2006). The researches focused on different aspects of BPR but none identified the prescriptions for success and empirically tested the proposed success factors and the extent to which BPR benefits from their presence.

Kenya Revenue Authority is faced with challenges of continuously improving its operations to meet the needs of its customers in a continuously changing operations environment; that is, applying the technique of reengineering its business processes to meet the core objective of increasing revenue collection at minimal cost (Temponi, 2006; Wu, 2003). Thus, Kenya Revenue Authority like other customer-focused organization must ensure that business procedures and practice anticipate the dynamism of customer needs. The challenges that need to be addressed include improving business processes and integrating functions at all levels to facilitate taxpayer service (KRA, 2006). Thus KRA has undertaken BPR to overcome the challenges faced in a continuously changing operation environment to meet the customer needs, and has succeeded to meet its deliverables as stipulated in the taxpayer charter. In view of this, what are the factors for successful implementation of BPR initiatives in KRA and how has the BPR initiatives impacted on KRA's performance?

### **1.3 Objectives of the Study**

The objectives of the study are;

- a) To establish the factors for successful implementation of business process reengineering initiatives in KRA.
- b) To determine how business processes reengineering initiatives have impacted on KRA's performance.

### **1.4 Value of the Study**

The findings of this study will be valuable to the following:

To the top management and staff of KRA, this research will be of immense value by providing information on the organization controllables (the levers of BPR) that they can manipulate to make organization-wide improvements. This will facilitate a supportive operations strategy through review of major functional areas of the organization, and hence effective allocation and efficient utilization of resources; which will be useful to both current and future reform initiatives that KRA will undertake.

For organizations intending to reengineer their business processes, this study will provide valuable information for operations strategy implementation and support. The findings of this



study will form a reference point for similar or related projects in the public sector, providing a road map in successful BPR implementation.

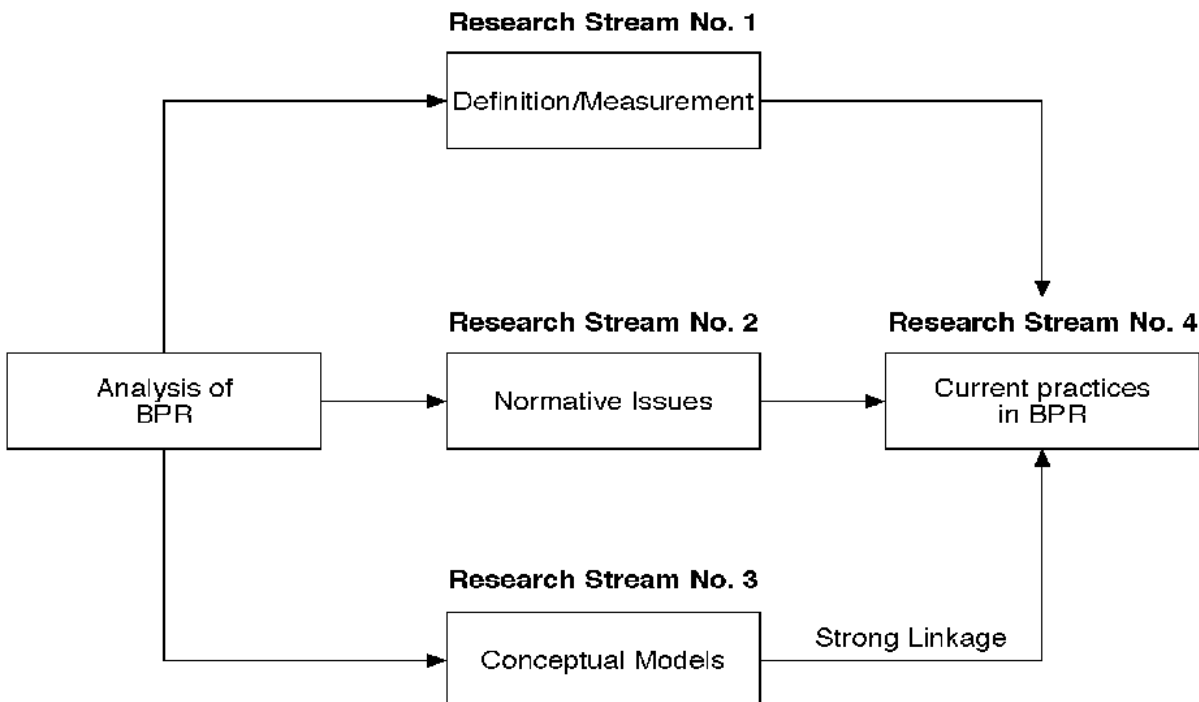
To academicians and students of operations management, this study will present the kind of challenges faced, benefits derived and critical success factors that are encountered when implementing a change management technique in a public institution. Thus forming a foundation on which more in-depth studies could be done with respect to implementation of business process reengineering.

## CHAPTER TWO: LITERATURE REVIEW

### 2.1 Introduction

Alavi and Yoo (1995) recommended that literature on Business Process Reengineering should be grouped into four research streams designated as 1, 2, 3 and 4 as shown in Figure 2.1. Research stream number one deals with the overview on BPR, definitions, important elements of BPR and a comparison of BPR and TQM. The second covers the normative studies such as the importance of BPR; need for proactive rather than reactive approach in BPR implementation; steps in BPR implementation; factors, importance and benefits of BPR implementation. The third is development of conceptual models for assessing and methodology for implanting the principles of BPR. The fourth one deals with the assessment and successful implementation of BPR by organizations.

Figure 2.1: Theoretical model of research streams



Source: Alavi and Yoo, (1995)

## **2.2 Overview of Business Process Reengineering**

The term ‘Business process Re-design’ was first coined during the research programme started in 1984 at the Massachusetts Institute of Technology where BPR was classified as the third of the five levels of “Business Restructuring” Morton (1991) as cited by Biazio (1998). The first level is concerned with localized exploitation of information technology (IT) within an organization’s functions. It involves development of applications meant to improve efficiency in operations. The second level is internal integration which represents the logical extension of the first level in the sense that the potential of IT was sought within activities that took place within the organization’s processes, with potential impact both on efficiency and on effectiveness. The third level represents business process re-design which consists of reengineering processes in order to exploit IT capabilities fully. This, unlike the first and second levels, reflects an active, planned and conscious effort to align the organization’s processes and IT. The fourth level is the business network re-designs which is concerned with the use of IT to redesign the nature of exchanges between organizations that are part of the business network. Lastly the fifth level is the business scope re-definition which refers to the opportunities IT offers for re-thinking the organization’s mission. Hence, business process reengineering was considered to be a strategy for utilizing information technology to transform an organization.

Business process reengineering has been described as the fundamental rethinking and radical redesign of business processes to achieve dramatic improvements in critical, contemporary measures of performance such as cost, quality, service, and speed (Magutu et al, 2010). Reengineering is fundamental because it asks the most basic question as to why organizations do what they do; it is radical because it does not seek to fix or automate processes as a way of making improvements, it seeks to revolutionize the way business is conducted; it is dramatic because the objectives of reengineering seeks quantum leaps in performance in order of improvements in process measures of performance, and a six sigma quality target; it’s a process which means that effort must be made around things that companies do best to meet customer expectations.

### **2.3 Elements of Business Process Reengineering**

Redesign can be achieved in two modes: incremental and radical. Incremental change can be classified methodologies for improvement and simplification. These methodologies aim at improving what already exists in the organization usually by eliminating non value added activities in order to achieve lower throughput times and best re-allocation of resources (Grover et al, 1993). In the latter case the redesign or rebuilding of the processes will usually emerge from the application of “best practices” that is achieved with the use of benchmarking. In radical change redesign will challenge the existing organizational framework and might request the introduction of new technology regardless of the impact this might have on the personnel’s behaviours and attitudes (Grover et al, 1993).

BPR by definition radically departs from other popular business practices like Total Quality Management, Lean Production, Downsizing, or Continuous Improvement. According to Talwar (1993) BPR is “the ability to rethink, restructure and streamline the business structures, process, methods of working management systems and external relationships through which we create and deliver value”. Attaran and Wood (1999) commented that “the overall theme of BPR is the quest for improvement through quick and substantial gains in the organizational performance”. Although, there is an element of commonality in all of these definitions, there are some key differences between them: Hammer and Champy (1993) emphasize on cost, quality, service and speed; Talwar(1993) places the emphasis on the ability to restructure the business process; Davenport (1993) placed emphasis on the analysis and design of work-flows; while Grover (1993) identified the following as common features of BPR programmes; Attaran and Wood (1999) place the emphasis on organizational performance. BPR combines analysis and modeling of business processes with advanced information technologies; Involves the radical redesign of business processes; typically employs Information Technology as an enabler of new business processes; Attempts to achieve organizational level strategic outcomes; and Tends to be inter-functional in its efforts.

The normative studies are conceptual in approach and conducted mainly by practitioners in BPR, the studies highlight the importance of BPR, both to the functional areas of the organization, as well as the overall organization. It also provides suggestions for institutionalizing BPR strategies. Normative suggestions for BPR include: the need for a proactive rather than a reactive approach to implementing BPR (Senior, 2002); factors to be taken into account when implementing BPR; examples of how companies have successfully institutionalized BPR; importance and benefits of BPR implementation. This stream covers a medley of studies whose main thrust is to emphasize the importance of BPR.

Business process reengineering consists of eight “rules” for the improvement of processes drawn from the principles of reengineering as proposed by Hammer and the characteristics of a reengineered process suggested by Hammer and Champy (1995). The rules form a framework for undertaking BPR, they include: Organize processes around outcomes not tasks; Have those who use the output of the process perform the process; Treat geographically dispersed resources as though they were centralized creating hybrid centralized/decentralized organizations; Link activities in a natural order and perform them in parallel; Perform work where it makes most sense, particularly, decision making, information processing, checks and controls making them part of the process; Capture information once and at the source, minimizing reconciliation; Combine several jobs into one possibly creating a case manager or case team as a single point of contact and Create multiple versions of processes when appropriate.

According to Ranganathan and Dhaliwal (2001), organizations apply business process reengineering for various reasons. There are factors that compel organizations to reengineer and they can be categorized into two: external factors and internal factors. Internal factors exert pressure from within the organization and include the following: the need to improve technology or automate; the need to increase efficiency; the need to reduce cost; and the need to define or redefine strategic focus. The external factors on the other hand exert pressure on the organization

from the outside include: customers; competitors; changing industry or market conditions; and Governmental regulations/political pressures.

As Hammer and Champy (1993) noted, the customer today has the upper hand in the consumer/producer relationship. With the introduction of so many product choices in the market, the customer now dictates what to produce, the quality of the product, and the price he or she is willing to pay. Competition is another factor that exerts pressure on companies to change. Today, not only must a company match domestic competition in order to survive, it must also be able to deal effectively with global competitors that offer low-priced products with high quality and service (Rose and Lawton, 1999). Changing industry or market conditions cause companies to adapt or die. The difference between the changes happening today and the changes of yesterday is that the pace of change has accelerated considerably. Government regulations or political pressures may compel organizations to respond accordingly. Such responses may be minor adjustments or could entail an overhaul or revamping of an entire business process (Grover et al, 1995).

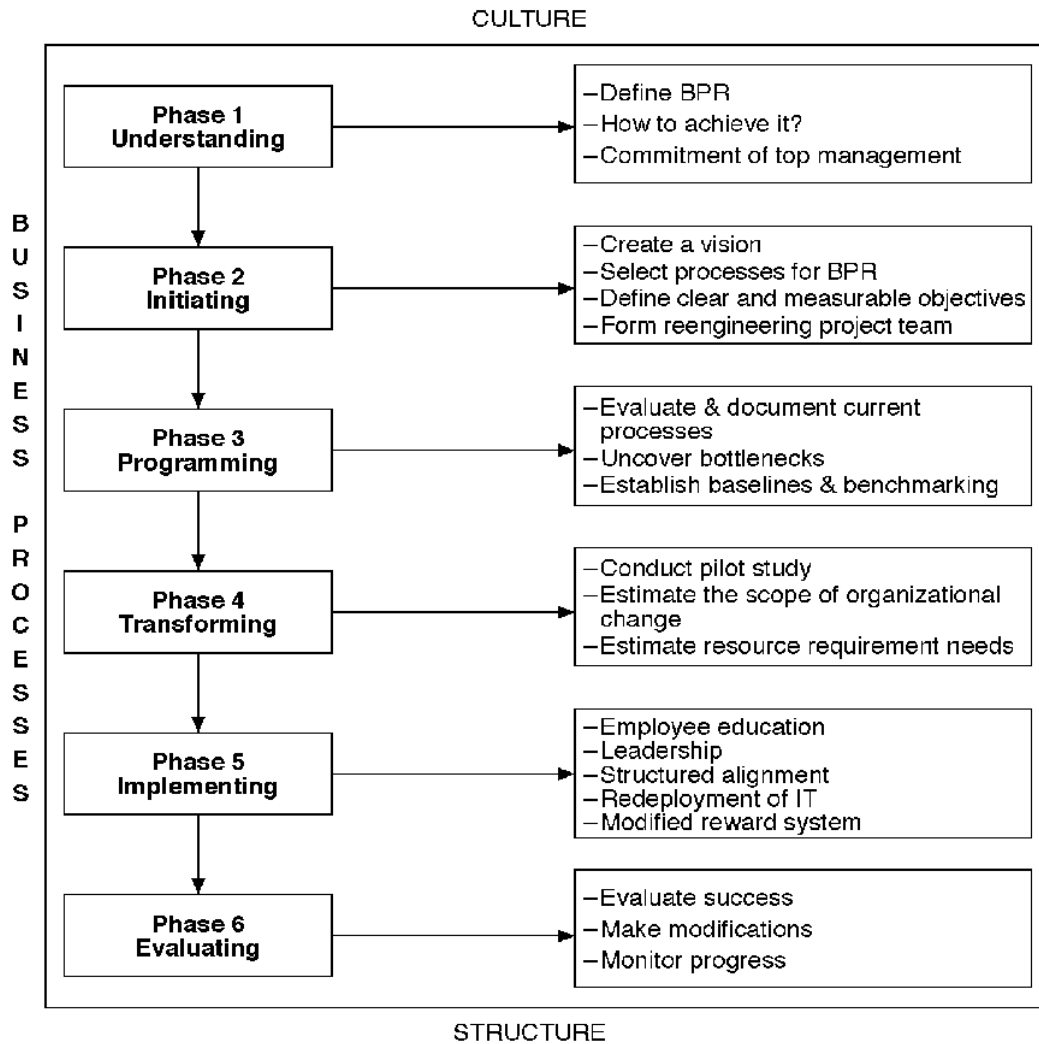
The deployment of technological assets and resources by organizations in order to achieve differentiation makes the difference in whether an organization remains competitive or obsolete, organizations need to be technology enabled in order to survive or prosper (Akhavan et al, 2006). Organizations must also seek ways and means of becoming more efficient and productive. Davenport (1993) deduced the areas of improvement are derived from improving on time performance, reducing defect rates, increasing accuracy of quotes, eliminating repetitive tasks, reducing turnaround time, speeding up product development and improving human resource practices. The inability to manage costs has driven many organizations out of business, as markets saturate and global competition intensifies, cost control becomes critical for every organization. Kaplan (2005) postulated organizations undertake business process reengineering because of the need to redefine their strategic focus.

## **2.4 The Conceptual Model of BPR**

The third research stream is concerned with developing conceptual models for assessing and implementing BPR. Alavi and Yoo, (1995) suggested the need for specific models and/or methodology for implementing the principles of BPR or for selecting an effective set of

measures for organizations practicing BPR. As the number of organizations launching reengineering efforts is growing rapidly, it was felt that there is a need for a more practical framework to guide managers through the process of innovation and change. Figure 2.4 depicts a six-phase comprehensive reengineering plan that an organization should consider when implementing BPR, from start to implementation. The six phases of the model include understanding, initiating, planning, programming, transforming, implementing, and evaluating.

Figure 2.4: Practical framework on BPR



Source: Alavi and Yoo, (1995)

In the first phase of the model, the top management recognizes the need for change, and then develops an understanding of what BPR is, and how they plan to achieve the change. Once the

understanding and commitment is made, in the second phase of the model, a clear vision is created. Based on the vision, management selects the business processes to be redesigned and defines clear and measurable objectives for redesigning the reinvented processes, and forms the reengineering project teams for the reengineering efforts. The project team is comprised of executives and key staff members from the primary organizational units involved in the processes, as well as representatives drawn from the information systems department. In the third phase, the project team evaluates and documents current processes, uncovers bottlenecks, and establishes baselines and benchmarks for gauging future improvements. The objective is to identifying breakthrough opportunities and design new work steps or processes that will create quantum gains and competitive advantage.

The fourth phase, referred to as “transforming” involves actual transformation to the reinvented process or organization which takes place in a small scale pilot environment. Undertaking the pilot study helps in: fine-tuning of the new process design; enhancing management and employee understanding of the new processes and providing realistic estimates of the scope of the organizational change and resource requirements needed. The fifth phase constitutes of full implementation and successful integration of the reengineered processes into the organization. Successful integration involves: employee education; leadership; structural alignment and redeployment of technical and human resources and modified reward system. Changes made during this phase may cause resistance or resentment that must be addressed through continual communication among management, the project team, and employees.

The final phase of the model involves evaluating the success of the reengineering efforts against the performance objectives established in phase two. Hence should the reengineering efforts not achieved the desired goals, it should be redesigned and modified accordingly. This phase is important as it is one of continuous commitment to the process of reengineering.

## **2.5 Factors for Implementation of Business Process Reengineering**

Ahmad et al (2007) estimated that as many as 70 percent of organizations do not achieve the dramatic results they seek by implementing BPR initiatives. As a result, the implementation process is complex, and needs to be checked against several success/failure factors to ensure successful implementation, as well as to avoid implementation pitfalls. The various dimensions



of the CSFs for BPR have been highlighted by Al-Mashari and Zairi (2000), including change management, management competency and support, organization structure, project planning and management, and information technology infrastructure. Leadership and top management support have been viewed as the drivers for BPR (Ahmad, 2007); top management is considered as interrelated and necessary in all CSF factors for BPR. Among the main success factors are ambitious objectives, the deployment of a creative team in problem solving, and a process approach and integration of electronic data processing.

According to Simons (1999) change management involves all human- and social-related changes and cultural adjustment techniques needed by management to facilitate the insertion of newly-designed processes and structures into working practice and to deal effectively with resistance. The most important factors relating to change management and culture include: revision of reward systems, effective communication, empowerment, people involvement, training and education, creating a culture for change, and stimulating receptivity of the organization to change. Organizational culture influences the organization's ability to adapt to change. Ahmad et al (2007) proposes that an organization must understand and conform to the new values, management processes, and the communication styles that are created by the newly-redesigned processes so that a culture which upholds the change is established effectively.

Al-Mashari and Zairi (2001) suggests that successful BPR implementation is highly dependent on an effective BPR programme management which includes: adequate strategic alignment; effective planning and project management techniques; identification of performance measures; adequate resources; appropriate use of methodology; external orientation and learning; effective use of consultants; building process vision; effective process redesign; integrating BPR with other improvement techniques and adequate identification of the BPR value. Information communication and technology (ICT) is also critical to the implementation of BPR initiatives.

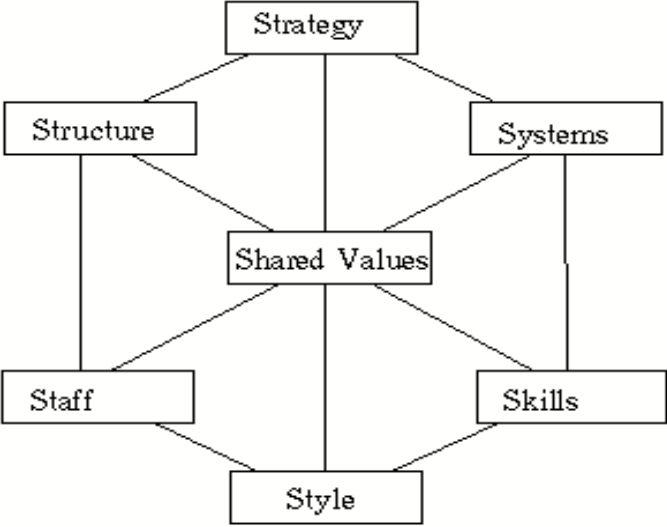
## **2.6 Impact of Business Process Reengineering on the Organization**

The primary objective of BPR is to make business organizations more competitive by improving quality, reducing costs and shortening product development cycles (Grover *et al.*, 1993). According to Tsang (1993), BPR's distinguishing characteristics are radical change, cross-functionality, operating across organizational units, breaking outdated paradigms, and involves

innovative application of technology. Stadler (1992) suggests that, the change process itself should emphasize the value-added element for every activity, recognizing time as a competitive weapon, focusing on end results and objectives, ensuring quality at the source, planning for an end-to-end solution, challenging the old ways and proposed new ways, using the right technology, empowering people and building consensus on making changes, and setting aggressive goals for the new process.

Kaplan (2005) suggests that given the wide diversity of possible benefits from organization innovativeness and the need for content validity, studies assessing the impact of BPR on organization performance should use multidimensional scales. Hence, the impact created as a result of deploying BPR initiatives can be assessed using a framework and/or model such as McKinsey's 7 S model which is critical for successful strategy execution. Figure 2.6 shows the McKinsley's Model.

Figure 2.6: McKinsey's Seven S Model



Source: Robert S. Kaplan, (2005)

According to Kaplan (2005), the McKinsey's model impacts on six of the organizational dimensions and it is driven by the 7<sup>th</sup> element, strategy. According to Davenport (1993), the new processes as a result of BPR are enabled by new technology hence new multi-function positions will be created demanding employees to learn new techniques. Hammer and Champy (1993) recommended a move to much flatter structures organized around the newly created process lines as a result of restructuring of the organization. BPR implementation significantly impact on the quality and quantity of staff employed by the organization; how the staff are recruited, selected, trained, manage their careers and promoted. Management roles are also transformed and middle level managers are usually reduced. According to Johnson and Scoles (2006) BPR decisions, like strategy decisions are complex and involves a high degree of uncertainty since they involve major change. The style which depicts the philosophy, values and shared beliefs adopted by managers in the use of their powers are also affected. Hence the overall impact as a result of successful implementation of BPR initiatives leads to elimination of unnecessary tasks and automating others, alleviation of physical constraints while applying new technology, movement of controls towards customers, reduced customer complaints, empowered employees to make better decisions and the organization is able to achieve its strategic objectives. All these achievements should lead to improved performance, reduced cost and efficiency in service delivery by the organization.

## **CHAPTER THREE: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This chapter focuses on the overall methodology used in the study. It covers the research design, population, sample, data collection and data analysis methods.

### **3.2 Research Design**

The study sought to establish the factors necessary for successful implementation of business process reengineering initiatives in KRA. In addition, the study also sought to determine how business processes reengineering initiatives have impacted on KRA's performance. The study used a descriptive survey design which was appropriate in determining and reporting information concerning the current status of affairs (Cooper and Schindler, 2003). It was hoped that the research would give a more complete picture on the factors which influence implementation of business process reengineering initiatives. In addition, interviews were also conducted to provide depth of the information being sought.

### **3.3 Population of the Study**

The target population for this study consisted of the entire management at KRA, which has a staff level of about 1,634 employees in different management categories (KRA, 2009). The categories include senior management, middle level management, supervisory level and team leaders across all the departments given the time and resource constraints.

### **3.4 Sampling**

The sampling technique used was stratified random sampling. This method ensured that the population and the subgroups of the population were represented. It also had more statistical precision and thus gave a representative sample, (Cooper and Schindler, 2003). Sampling frame was from the total number of senior, middle and supervisory (team leaders) management levels, from which the sample was derived. Table 3.4 shows the sample composition.

**Table 3.4: Sample Composition**

<b>Management Levels</b>	<b>Target Population</b>	<b>Target Sample Proportion</b>
Senior management	166	17
Middle level management	402	38
Supervisory (team leaders) management	1,066	55
<b>Total</b>	<b>1,634</b>	<b>110</b>

### **3.5 Data Collection**

Primary data was collected using questionnaires. The questionnaire was administered using the “drop and pick later” method to the targeted respondents drawn from senior management, middle level management and supervisors.

The questionnaire was divided into four sections. Section A which was concerned with demographic data. Section B focused on activities involved in BPR implementation. Section C relates to factors necessary for BPR implementation. Section D covered the impact as a result of BPR implementation. Respondents were also interviewed to provide depth on the information being sought which could not be obtained from the questionnaire.

### **3.6 Data Analysis**

The data collected was cleaned, coded and edited for errors, mistakes, uniformity of consistency and completeness. The results of the analysis were presented using tables and diagrams. Statistical Program for the Social Sciences (SPSS Version 16.0) was the tool used to analyze and present the data.

Data collected relating to Section A of the questionnaire was analyzed using frequencies and percentage and presented using tables and diagrams. Data collected through Section B, C, and D was analyzed using the means, standard deviations and regression analysis.

## CHAPTER FOUR: DATA ANALYSIS, FINDINGS AND DISCUSSION

### 4.1 Introduction

This chapter presents the analysis and findings of the study. It provides general information of the sample studied from all management levels in determining the role of management, understanding the factors for implementing business process reengineering and its impact on performance in Kenya Revenue Authority.

#### 4.1.1 Response Rate

A sample of 110 employees was selected through stratified random sampling technique based on the various management levels and questionnaires administered to the sample, out of which 81 questionnaires were returned. The screening of the questionnaires was done and four questionnaires were rejected. The analysis was thus done using 77 questionnaires representing 70% response rate. The researcher deemed this response rate as adequate and sufficient for purposes of data analysis. According to Mugenda and Mugenda (2003), a response rate of over 60% of the respondents is considered adequate for analysis as it is representative of the population under study.

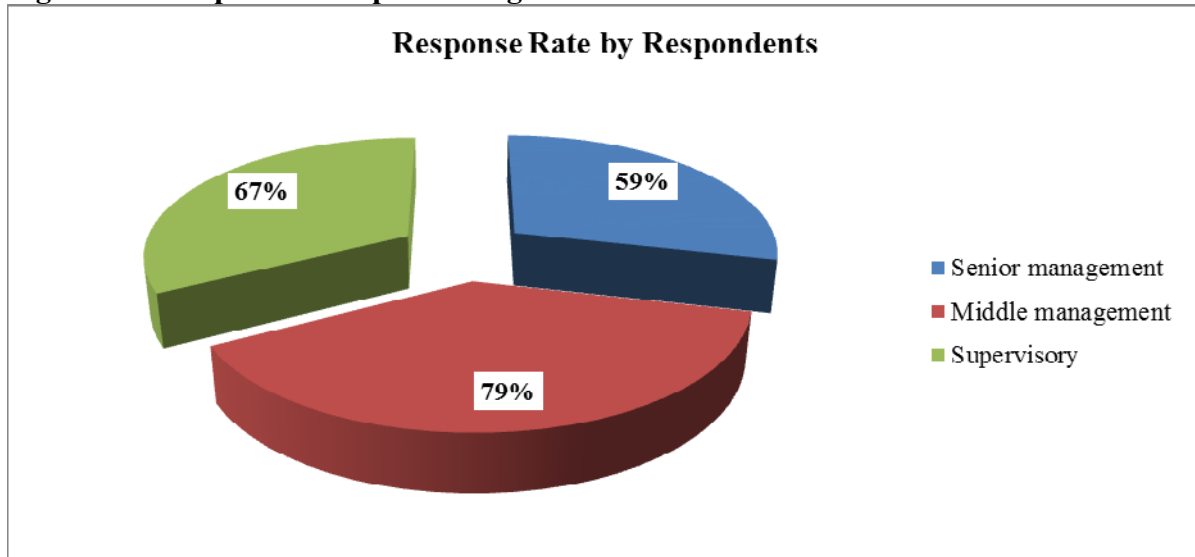
**Table 4.1: Response Rate**

<b>Management Level</b>	<b>Sample Target</b>	<b>Obtained</b>	<b>Percent</b>
<b>Senior management</b>	17	10	59%
<b>Middle management</b>	38	30	79%
<b>Supervisory</b>	55	37	67%
<b>Total</b>	<b>110</b>	<b>77</b>	<b>70%</b>

Source: Research Data (2013)

Table 4.1 and Figure 4.1 indicate the overall response rate which was 70%. The highest response was from the middle-level management at 79% response rate. It was followed by the supervisory level at 67% and senior management level at 59%. It can be concluded that the response rate from across the levels was above the 50% mark, proving that it was representative each management level and by extension the population under study.

**Figure 4.1: Response Rate per Management Level**



Source: Research Data (2013)

## 4.2 Demographic Information

The demographic information considered in the study was the respondents' gender, age, level of education, years of continuous service, and management level.

### 4.2.1 Respondents Gender

Respondents were to indicate their gender. The data was analyzed and the results are shown in Table 4.2.1. It was found that 55.8% were male and 44.2% were female. The difference of the respondent's gender could be attributed to male dominance of managerial and executive positions generally found throughout organizations in Kenya. At least there was representation of both genders in the survey.

**Table 4.2.1: Respondents Gender**

Gender	Frequency	Percentage
Male	43	55.8
Female	34	44.2

Source: Research Data (2013)

#### 4.2.2 Respondents Age

Respondents were to indicate their age. The data was analysed and the results are shown in Table 4.2.2. It was found that 24.7% of the respondents are were aged between 20 – 30 years, 32.5% between 31 – 40 years, 35.1% between 41 – 50 years, and 7.8% were aged above 50 years. The age distribution shows that ages between 41 and 50 years comprise most of the managers at KRA, whilst managers aged 50 years and above are the least. This trend is expected, it is anticipated that managers aged above 50 years would be approaching retirement and would consist the least number. On the other hand, between the ages 20 years and 40 years is where we expect to have most of the management staff because of the sound recruitment plan of the authority.

Table 4.2.2: Respondents Age

Age Bracket	Frequency (f)	Percentage (%)	Cumulative Percentage (%)
20-30 Years	19	24.7	24.7
31-40 Years	25	32.5	57.1
41-50 Years	27	35.1	92.2
51 and above	6	7.8	100

Source: Research Data (2013)

#### 4.2.3 Respondents Level of Education

Respondents were to indicate their level of education. The data was analyzed and the results are shown in Table 4.2.3. It was found that 0% of the respondents had secondary education, 15.58% had college education, 53.25% had university education, and 31.17% had post graduate education. This shows that majority of the respondents have university education and 84.42% of the total respondents have at least university education and above, which is the appropriate qualification for management at KRA.



**Table 4.2.3: Level of Education**

<b>Level of Education</b>	<b>Frequency (f)</b>	<b>Percentage (%)</b>	<b>Cumulative Percentage (%)</b>
<b>Secondary</b>	0	0.00	0.00
<b>College</b>	12	15.58	15.58
<b>University</b>	41	53.25	68.83
<b>Post Graduate</b>	24	31.17	100.00

Source: Research Data (2013)

#### **4.2.4 Years of Continuous Service with KRA**

Respondents were to indicate the duration in which they worked with KRA. The data was analyzed and the results are shown in Table 4.2.4. It was found that 2.6% of the respondents had worked for 3 years and below, 18.2% had served between 3 – 9 years, 59.7% had served between 9 – 12 years, and 19.5% of the respondents had worked for more than 12 years. It therefore provides an indicator that the respondents are quite experienced and thus are qualified to provide the information being sought.

**Table 4.2.4: Years of Service**

<b>Duration</b>	<b>Frequency (f)</b>	<b>Percentage (%)</b>	<b>Cumulative Percentage (%)</b>
<b>Less than 3 Years</b>	2	2.6	2.6
<b>3 to 9 Years</b>	14	18.2	20.8
<b>9 to 12 years</b>	46	59.7	80.5
<b>above 12 years</b>	15	19.5	100

Source: Research Data (2013)

#### **4.2.5 Current Position in KRA**

Respondents were asked to indicate their current position in KRA. The data was analyzed and the results are shown in Table 4.2.5. It was found that 13% of the respondents belonged to the senior management, 39% belong to middle level management, and 48.1% belong to the supervisory level of management. Thus most of the respondents belong to the supervisory level of management, which is appropriate for implementation of the corporate objectives of KRA.

**Table 4.2.5: Current Position in KRA**

	<b>Frequency (f)</b>	<b>Percentage (%)</b>	<b>Cumulative Percentage (%)</b>
<b>Senior Management</b>	10	13	13
<b>Middle Level Management</b>	30	39	51.9
<b>Supervisor</b>	37	48.1	100

Source: Research Data (2013)

### **4.3 Activities Involved in BPR implementation**

The first objective of the study sought to establish the activities involved in the implementation of BPR. The respondents were required to indicate the extent to which the activities were performed. A Likert scale of 5 was used to capture the data as follows:

1. Not at all
2. Less extent
3. Moderate extent
4. Great extent
5. Very great extent

The higher the mean score, the greater was the extent the activity was performed during BPR implementation. From the respondents who filled the questionnaire the results are displayed in Table 4.3 as follows:

**Table 4.3: Activities Involved in BPR**

Activity	Measures	
	Mean	Std. Deviation
Full implementation and integration of reengineered processes into the organization	3.69	0.847
Evaluate success of reengineered effort against the performance objectives	3.61	0.905
Recognize the need for change	3.48	1.046
Evaluate and document current processes to uncover bottlenecks	3.48	0.912
Form reengineering project team	3.47	1.021
Monitor progress	3.31	1.067
Develop a plan/vision for the change	3.29	1.122
Estimate the scope of the change and resource requirement needs	3.25	0.962
Select the business processes to be redesigned	2.66	1.119
Establish baseline and benchmark to gauge future improvements	2.56	1.13
Undertake pilot study	2.49	1.096

Source: Research Data (2013)

The implementation activities which had mean scores of above 3.0 representing a great extent include: Full implementation and integration of reengineered processes into the organization; Evaluate success of reengineered effort against the performance objectives; Recognize the need for change; Evaluate and document current processes to uncover bottlenecks; Form reengineering project team; Monitor progress; Develop a plan/vision for the change; and Estimate the scope of the change and resource requirement needs. These eight activities were considered by the respondents to have been performed to a great extent by management during implementation of BPR initiatives. The other remaining three activities had a mean of 2.66 and below. This shows that the three activities were performed to a less extent by management.

The findings show that all the activities performed during BPR implementation are close together around the standard deviation of one. Hence, the activities do not significantly vary from the mean. This demonstrates that all the activities performed can be considered significant in relation to each other since the respective standard deviations are close together. The results show that majority of the activities performed in implementing BPR initiatives are considered to

a great extent by management. The management of Kenya Revenue Authority should thus ensure the above implementation activities of BPR are considered and performed for effective implementation of BPR initiatives.

#### **4.4 Factors for Successful BPR Implementation**

The second objective of the study was to determine the factors for successful implementation of business process reengineering initiatives. The respondents were required to rate the factors. A Likert scale of 5 was used to capture the data as follows:

1. Strongly disagree
2. Disagree
3. Moderate
4. Agree
5. Strongly agree

The higher the mean score, the greater was the factor considered by the respondents during BPR implementation. Standard deviation was used to determine the varying degrees of the respondents' perception of the factors they considered to be critical for BPR implementation. From the respondents who filled the questionnaire the results are displayed in Table 4.4 as follows:

**Table 4.4: Factors for BPR Implementation**

Success Factors	Measures	
	Mean	Std Deviation
The customer / stakeholder were involved in the change process	3.99	0.659
Managers are anxious about losing their authority after the changes	3.97	0.743
There is training and/or education programs to update employees' skills	3.92	0.739
The re-engineering effort are straight forward and practical	3.91	0.747
Teamwork is the typical way of solving problems	3.84	0.708
There is frequent communication between the project team and users	3.83	0.768
There exist performance improvement goals for processes	3.83	0.818
Top management have realistic expectation of the project	3.69	0.877
There is adequate alignment of IT infrastructure and BPR strategy	3.69	0.815
There is effective use of consultants	3.62	0.904
Employees are empowered to make decisions	3.55	0.867
The reward system adjust to serve the employees after the changes	2.6	0.95
There exist cross-functional cooperation in the organization	2.45	0.981
The communication channel is efficient to convey the necessary information	2.44	1.019
Top management have sufficient knowledge about the projects	2.38	1.001
Employees are worried about losing their job after changes	2.3	1.027
There is performance recognition among coworkers	2.26	1.018
The existing organizational culture is adaptable to change	2.26	0.938
There is skepticism among employees on the results of the project	2.1	0.804

Source: Research Data (2013)

The factors which had mean scores of above 3.0 representing factors considered important by the respondents include: The customer / stakeholder were involved in the change process; Managers are anxious about losing their authority after the changes; There is training and/or education programs to update employees' skills; The re-engineering effort are straight forward and practical; Teamwork is the typical way of solving problems; There is frequent communication between the project team and users; There exist performance improvement goals for processes; Top management have realistic expectation of the project; There is adequate alignment of IT infrastructure and BPR strategy; There is effective use of consultants; and

Employees are empowered to make decisions. These eleven factors were considered to be critical to the implementation of business process reengineering initiatives in KRA. The other eight factors had a mean score below 3.0, which shows that they were considered to be moderately critical by the respondents.

The findings show that all the factors identified are close together around the standard deviation of one. Hence, the factors do not significantly vary from the mean. This demonstrates that all the factors can be considered significant in relation to each other since the respective standard deviations are close together. The results show that majority of the factors are considered to be critical in ensuring successful implementation of business process reengineering initiatives in KRA, with customer / stakeholder involvement receiving the highest rating. Thus management at KRA should ensure that the above listed factors are considered and adopted for effective implementation of reengineering initiatives.

#### **4.5 Impact of BPR Implementation**

The third objective of the study sought to establish the Impact of BPR Implementation on the Performance of KRA. The respondents were required to rate the impact. A Likert scale of 5 was used to capture the data as follows:

1. Strongly disagree
2. Disagree
3. Moderate
4. Agree
5. Strongly agree

The higher the mean score, the greater was the impact. Standard deviation was used to determine the varying degrees of the respondents' perception of the impact as a result of BPR implementation. From the respondents who filled the questionnaire the results are displayed in Table 4.5 as follows:

**Table 4.5: Impact of BPR Implementation**

Impact	Measures	
	Mean	Std. Deviation
The number of departments, groups and persons involved in a business process have been minimized	3.88	0.688
Unnecessary tasks have been eliminated from business process	3.84	0.745
Controls have been moved towards the customer	3.83	0.834
Geographically dispersed resources have been centralized	3.78	0.754
The organization is able to achieve its strategic objectives	3.76	0.728
New processes have been created by combining small composite tasks	3.66	0.788
Physical constraints have been elevated in business processes by applying new technology.	3.66	2.382
Tasks have been automated.	2.43	0.992
Contact between the customer and third parties have been reduced	2.38	1.014
Employees have been empowered by being given more decision-making authority	2.27	1.047
Customer complaints have reduced	2.17	0.849

Source: Research Data (2013)

The impact as a result of BPR implementation which had mean scores above 3.0 include: The number of departments, groups and persons involved in a business process have been minimized; Unnecessary tasks have been eliminated from business process; Controls have been moved towards the customer; Geographically dispersed resources have been centralized; The organization is able to achieve its strategic objectives; New processes have been created by combining small composite tasks; and Physical constraints have been elevated in business processes by applying new technology. The seven factors were considered by the respondents to have a great impact on KRA as a result of the implementation of BPR initiatives. The other four had a mean score of below 3.0, which shows that they were considered to have moderate impact by the respondents.

#### 4.5.2 Regression analysis

Regression analysis is a statistical method that models the relationship between a response variable  $Y$ , explanatory variables  $X_p$ , and a random term  $\varepsilon$ . The model can be written as:

$$Y = \beta_1 + \beta_2 X_2 + \dots + \beta_p X_p + \varepsilon$$

Where:

$\beta_1$  is the intercept ("constant" term),

$\beta_i$ s are the respective parameters of explanatory variables,

and  $p$  is the number of parameters to be estimated.

From the study, it is possible to develop a regression model based on the BPR levers discussed in the literature and come up with an equation which represents the relationship between the success of BPR and the impact as a result of the implementation of the BPR initiatives. Thus from the respondents' data, it is possible to formulate a regression model shown below:

**Table 4.5.2: Regression Model Summary b**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.676 <sup>a</sup>	.541	-.006	4.07257	.141	.957	11	64	.04	1.717



- a. Predictors(Xs): (Constant),
- i. The organization is able to achieve its strategic objectives.
  - ii. New processes have been created by combining small composite tasks.
  - iii. Physical constraints have been elevated in business processes by applying new technology.
  - iv. Tasks have been automated.
  - v. The number of departments, groups and persons involved in a business process have been minimized.
  - vi. Customer complaints have reduced.
  - vii. Contact between the customer and third parties have been reduced.
  - viii. Unnecessary tasks have been eliminated from business process.
  - ix. Employees have been empowered by being given more decision-making authority. Geographically dispersed resources have been centralized.
  - x. Controls have been moved towards the customer.

b. Dependent Variable(Y):

Success

From Table 4.5.2 it is possible to conclude that:

The value of R-squared is 0.541 which implies that 54.1% of the dependent variable can be explained by the explanatory variables.

The p-value (sig) is 0.04 which is less than 0.05 test significant level implying that the results can be used to make statistical inference.

**Table 4.5.3: Coefficient for the Regression**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	45.661	9.514		4.800	.000
	New processes have been created by combining small composite tasks ( $X_1$ )	1.398	.656	.272	2.130	.037
	Unnecessary tasks have been eliminated from business process ( $X_2$ )	.002	.663	.000	.003	.998
	Tasks have been automated ( $X_3$ )	.181	.531	.045	.342	.734
	Physical constraints have been elevated in business processes by applying new technology ( $X_4$ ).	-.032	.204	-.019	-.160	.874
	Controls have been moved towards the customer ( $X_5$ )	.401	.634	.083	.633	.529
	Contact between the customer and third parties have been reduced ( $X_6$ )	.430	.481	.108	.894	.375
	Customer complaints have reduced ( $X_7$ )	.056	.576	.012	.097	.923
	Geographically dispersed resources have been centralized ( $X_8$ )	.860	.691	.161	1.244	.218
	The number of departments, groups and persons involved in a business process have been minimized ( $X_9$ )	1.107	.740	.189	1.497	.139
	Employees have been empowered by being given more decision-making authority ( $X_{10}$ )	.489	.503	.126	.972	.335
	The organization is able to achieve its strategic objectives ( $X_{11}$ )	-.439	.716	-.079	-.613	.542

Source: Research data (2013)

a. Dependent Variable: Success

From the above regression model, the equation becomes:

$$Y = 45.662 + 1.398X_1 + 0.02X_2 + 0.181X_3 - 0.032X_4 + 0.401X_5 + 0.43X_6 + 0.056X_7 + 0.860X_8 + 1.107X_9 + 0.489X_{10} - 0.439X_{11}$$

Where:

Y represents success and

X represents the various BPR levers as indicated in the table.

The regression model shows that the predictors  $X_1$ ,  $X_2$ ,  $X_3$ ,  $X_5$ ,  $X_6$ ,  $X_7$ ,  $X_8$ ,  $X_9$  and  $X_{10}$  have a positive impact on the success of BPR while the predictors  $X_4$  and  $X_{11}$  impact negatively to the success of BPR.

#### 4.5.4 Aggregated Regression Model

Table 4.5.4: Aggregated Regression Model

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.731 <sup>a</sup>	.617	.004	4.05150

a. Predictors: (Constant), BPR

The value of R-square is 0.617 implying that 61.7% of the dependent variable can be explained by the independent variables.

**Table 4.5.5: Coefficient for the Aggregated Regression**

Model	Unstandardized Coefficients		Standardized Coefficients	T	Sig.
	B	Std. Error	Beta		
1 (Constant)	54.815	5.270		10.401	.000
BPR	.468	.147	.131	1.141	.028

a. Dependent Variable: Success

$$\text{Success} = 54.815 + 0.468(\text{BPR Levers})$$

This shows that, BPR levers positively impacts on the success of the organization.

The p value (sig) is 0.028 which indicate that the results can be used to make statistical inference since it is less than 0.05 test significance level that is 95% confidence level.

#### **4.6 Interview Responses**

The study also required respondents to answer questions regarding the organization, the activities which were undertaken during BPR implementation, the factors which were deemed to be necessary for successful implementation of BPR initiatives, and the benefits derived from the implementation of the BPR initiatives. From the findings of the study, most of the interviewees agree that KRA has a mission in place which was to promote compliance with Kenya’s tax, trade and border legislation (KRA online, 2004). This has been achieved through development and deployment of the corporate plan to drive KRA’s strategy for the next three years (Kenya Revenue Authority, 2009); a key strategic objective was the re-engineering of business processes and modernizing of technology. One of the respondents stated that most of the initiatives undertaken by KRA were meant to move the organization towards attaining a world class status. KRA has also been recognized as the best public institution in the country having achieved the most respected public company status as well as winning several awards related to innovation, excellence and service delivery.

It was also observed by the respondents that KRA has geographically spread its operations in Kenya, as evident by the presence of KRA offices in major towns. Thus there has been a need to standardize its service delivery countrywide. The organization is structured into four major departments; Customs Services Department, Road Transport Department, Domestic Taxes Department and Support Services Department each headed by a commissioner. The departments have been integrated with each other through deployment of a good ICT infrastructure, thus enabling the sharing of information and attainment of a single view of the taxpayer. The respondents mentioned major systems which handle bulk of KRA's core revenue collection activities; these are SIMBA2005 system used by the customs services department, i-Tax system used by the domestic services department, Vehicle Management System used in the road transport department and the ERP system for the support services department.

#### **4.6.1 Activities Involved in BPR Implementation**

The respondents noted that implementation of BPR initiatives was spearheaded by the support services department, while the other departments were left to concentrate on the organization's core business of revenue collection. A consultant was engaged to oversee the implementation of BPR initiatives; one respondent mentioned the hiring of a consulting firm with experience to facilitate the implementation of BPR to KRA's processes. The RARMP steering group nominated members from different departments in KRA to form the project implementation team (PIT) with the assistance of the consultant.

Although from the literature the proposed framework by Alavi and Yoo (1995) was deemed appropriate, one respondent mentioned that it was not followed strictly. This could be due to pressure to produce quick results, which led to ignorance of massive changes in organization structure, misused and alienated subordinates and hindered necessary modernization of some of KRA facilities. Another respondent reiterated that BPR was not implemented alone, but as one of the component of a set of change approaches that include strategic rethinking of business direction of KRA and less radical process improvement. This suggested the need for KRA to focus on integrating BPR with other change approaches and move towards a continuous change paradigm.

#### **4.6.2 Factors for Successful Implementation of BPR Initiatives**

The primary objective here was to identify the factors which contributed to the successful implementation of various BPR initiatives undertaken in KRA. Several respondents provided their views regarding what they perceived to be important for BPR success, one respondent highlighted the following factors; BPR project was driven by customer demand, competitive pressures for KRA to remain relevant, improvement of revenue collection, using specialists to assist, employee education and reeducation were widely recognized. Another respondent had a different view regarding factors he considered important for success of BPR initiatives in KRA, they include; Employees must be taught the reengineering process, how it differs from existing work patterns, and what role they play. Managers should also be encouraged to reconsider reward mechanisms and to keep the reengineered organization moving forward, to instill the willingness to share information, and to use hands-on experience when redesigning processes.

Lastly the supervisors gave a different opinion regarding the factors they thought were important for implementing BPR initiatives in KRA which included; using project champions; having an organized and well-disciplined attack plan; employing a rigorous and detailed analytical process to develop a rough-cut design and identify major issues; avoiding traditional thinkers as team members; having a defined project structure ; regularly scheduled meetings involving project manager with staff in all structural levels to focus attention; using process mapping to distinguish productive activities from those that are non-value-added ; and clearly defining and communicating the project's mission and vision.

#### **4.6.3 Impact of BPR Implementation on the Organization's Performance**

The study sought to investigate benefits derived as a result of implementation of BPR initiatives. The interviewees noted that implementation of BPR initiatives led to elimination of unnecessary tasks. One respondent commented that unnecessary tasks have been eliminated through process mapping to identify value adding and the non-value adding activities, thus getting rid of the non-value adding activities. Manual processes were also automated to improve on service delivery. One respondent commented that KRA had undertaken a heavy investment in ICT thus most of the processes have been automated reducing errors. Physical constraints have been alleviated through application of new technology.

The interviewees mentioned that customers are now able to receive services from any location using their computers and mobile phones. Controls have been moved towards customers. The new ICT systems deployed allows taxpayers to have control of their various accounts in i-Tax system and SIMBA2005 system by accessing the systems using unique passwords. Customer complaints have been reduced, though one respondent noted that the literacy levels in Kenya are still low thus most customers require constant assistance. Employees have been empowered to make better decisions, since the structure has been flattened by technology. The overall achievement is that KRA has been able to achieve its strategic objectives through reengineering of its business processes. All these achievements have led to more tax revenue, reduced cost of collection and efficiency in service delivery by the authority.

## **CHAPTER FIVE: SUMMARY, CONCLUSION AND RECOMMENDATIONS**

### **5.1 Introduction**

This chapter discusses the summary of findings, conclusions and recommendations of the research study. The chapter gives an in-depth explanation on the implementation of BPR initiatives to the overall organizational performance.

### **5.2 Summary**

The summary of the major findings captures the major objectives of the study and these are; activities involved in BPR implementation, factors for successful BPR implementation and impact of BPR implementation on KRA's performance.

The study found out that, if a good case exists which necessitates KRA to undertake a radical change; the top management must support the change and drive it through to success. All the key activities to be performed for success must be taken care of and a lapse in any of the activity may lead to failure of the BPR initiative. The rules and symbols play an integral part of all BPR initiatives. Good leadership to oversee strict adherence to the set activities is key to success and must be exhibited throughout the implementation phases.

BPR implementation process is complex, and needs to be checked against several success and failure factors to avoid implementation pitfalls. From the study, proper attention must be paid to many of the "soft issues" of people management which underpins BPR success in a public institution such as KRA. This is evident based on the findings from the survey undertaken and interviews conducted in this study, stakeholder/customer involvement was rated the highest success factor for BPR implementation. The implementation of BPR initiatives has led to elimination of unnecessary tasks and automating others, alleviation of physical constraints while applying new technology, moving controls towards customers, reducing customer complaints, empowering employees to make better decisions and KRA being able to achieve its strategic



objectives. All these achievements have led to more tax revenue, reduced cost of collection and efficiency in service delivery by the authority.

### **5.3 Conclusion**

The findings established that management has a key role in BPR implementation, specifically, creating strategic awareness, ensuring attainment of organization objectives and goals and communication by enhancing flow of information to staff for improved and successful performance of KRA. Management of KRA should therefore continuously endeavour to apply and provide a framework in which the success factors can be adopted to facilitate changes through BPR. The respondents ranked stakeholder / customer involvement as the highest critical factor, which demonstrates that taxpayers should never be overlooked when implementing changes to the authority's processes. The research further determined that management has a daunting task in ensuring that the organization takes advantage of all the benefits identified by the BPR approach for managing change. The results also confirmed before embarking on a BPR venture, management should ensure that at least some of the CSFs deemed very important by the respondents and interviewees are addressed, especially those concerned with the human factors.

### **5.4 Recommendations**

Based on the results obtained from the respondents and the interviews conducted, it is important for an organization to undertake an analysis of the current situation for successful BPR implementation. Organizations should seek to change the entire organization as opposed to making changes in departments or strategic business units which may lead to delays or impact negatively on customer service thus affecting performance. The customer should be placed at the center of the reengineering effort; the customer is the reason behind the reengineering effort. The information technology group should be an integral part of the reengineering team from the start; offering infrastructure solutions such as ERP software implementation which could be a key enabler for undertaking an organizational change and monitor it holistically. Business process reengineering must be accompanied by strategic planning, which addresses leveraging information technology as a competitive tool. BPR must not ignore corporate culture and must

emphasize constant communication and feedback. Hence this will impact positively on the organization, improving its performance.

### **5.5 Limitations of the Study**

This study was primarily limited to a small sample size. The sample size could have been expanded by including respondents from the regional offices. The targeted respondents were all employees of KRA, due to limited resources and time constraint only employees based in Nairobi (Head Office) were considered. An earlier start in data collection would have increased the time needed to survey more participants. More contact between the researcher and the target sample may have increased participation.

The respondents were not very cooperative to fill out the questionnaire in a small time frame and needed more time to go through it. There were questionnaires which were not completely filled and some were returned blank. Lack of enough literature material on implementation of business process reengineering initiatives in a public organization in Kenya was another limitation encountered.

### **5.6 Suggestions for Further Studies**

Despite the in depth coverage of this research and its findings, there still exists a gap that future researchers could explore. BPR implementation in a public organization is a relatively new area that has not been largely studied or addressed in Africa, and specifically Kenya. Owing to the success of BPR implementation as a change management technique in KRA, further research can be conducted on the potential for implementing change within other organizations.

Further studies should attempt to achieve a large sample across all branches in the country to determine whether the results can be generalized. The current research being a study of a single organization; additional studies can be carried out on a wider scale. This could be through conducting industry survey on BPR implementation across different economic sectors, such as other government departments / parastatals, as well as private institutions.

A great depth of information may have been obtained by conducting focus groups comprised of participants representative of the sample. Discussion could include one topic per focus group meeting, during which each topic area could have been the focus of discussion such as the

activities involved in BPR, factors for successful implementation of BPR initiatives and the impact of BPR implementation. A focus group would allow the researcher to conduct a group interview of participants to evaluate their attitudes, negative or positive, and to identify recommendations for future improvement.

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## APPENDICES

### APPENDIX I: Letter of Introduction

Victor Ouma Odede  
University of Nairobi - Nairobi Campus  
P. O. Box 30197-00100  
Nairobi, Kenya.

November 19, 2013

Dear Respondent

#### **RE: REQUEST TO TAKE PART IN A RESEARCH STUDY**

I am a graduate student at University of Nairobi. In partial fulfillment for the award of a Masters degree in Business Administration, I am carrying out a research study on Business Process Re-engineering Implementation and Organizational Performance, The Case of Kenya Revenue Authority.

Attached is a questionnaire that collects data on factors necessary for successful business process re-engineering initiatives in KRA. You have been selected as a participant for this study. I would like to kindly request you to take some time and read through the questionnaire and answer all the questions herein.

Your participation is essential to this study and will be highly appreciated. I assure you that the information you will provide will only be used for academic purposes and will be treated with utmost confidentiality.

Once again thank you for your cooperation and time.

Kind Regards,

Victor Ouma Odede.



## APPENDIX II: Questionnaire

### Section A: Background information

1. Please indicate your gender
  - Female
  - Male
2. Indicate your age bracket
  - 20-30 yrs
  - 31-40 yrs
  - 41-50 yrs
  - 51 and above
3. State your highest level of education
  - Primary level
  - Secondary level
  - College
  - University
  - Postgraduate
4. For how long have you been working in your organization?
  - Less than 3 years
  - 3 to 9 years
  - 9 to 12 years
  - Above 12 years
5. What is your current position in Kenya Revenue Authority?
  - Senior Manager
  - Middle level Manager
  - Supervisor

**Section B: Activities Involved in BPR Implementation**

6. To what extent are the following activities performed by management in the process of implementing the principles of BPR in KRA? Tick on a scale of 1-5 where 5- Very great extent, 4- Great extent, 3- Moderate extent, 2- Less extent and 1- Not at all.

	5	4	3	2	1
Recognize the need for change					
Develop a plan/vision for the change					
Select the business processes to be redesigned					
Form reengineering project team					
Evaluate and document current processes to uncover bottlenecks					
Establish baseline and benchmark to gauge future improvements					
Undertake pilot study					
Estimate the scope of the change and resource requirement needs					
Full implementation and integration of reengineered processes into the organization					
Evaluate success of reengineered effort against the performance objectives					
Monitor progress					

Other activities \_\_\_\_\_

**Section C: Factors for Successful BPR Implementation**

7. To what extent do you agree with the following statement relating to factors for successfully implementing the principles of BPR in KRA? Tick on a scale of 1-5 where 5- Strongly agree, 4- Agree, 3- Moderate, 2- Disagree and 1- Strongly disagree.

	5	4	3	2	1
Top management have realistic expectation of the project					
Top management have sufficient knowledge about the projects					
The reward system adjust to serve the employees after the changes					
There is training and/or education programs to update employees' skills					
Employees are empowered to make decisions					
The communication channel is efficient to convey the necessary information					
There is frequent communication between the project team and users					
There is adequate alignment of IT infrastructure and BPR strategy					
Teamwork is the typical way of solving problems					
There is performance recognition among coworkers					
Managers are anxious about losing their authority after the changes					
Employees are worried about losing their job after changes					
There is skepticism among employees on the results of the project					
The re-engineering effort are straight forward and practical					
The existing organizational culture is adaptable to change					
The customer / stakeholder were involved in the change process					
There is effective use of consultants					
There exist performance improvement goals for processes					
There exist cross-functional cooperation in the organization					

Others if any \_\_\_\_\_

**Section D: Impact of BPR Implementation**

8. To what extent do you agree with the following statement relating to how the BPR initiatives implementation impacted on the performance of KRA? Tick on a scale of 1-5 where 5- Strongly agree, 4- Agree, 3- Moderate, 2- Disagree and 1- Strongly disagree.

	5	4	3	2	1
New processes have been created by combining small composite tasks					
Unnecessary tasks have been eliminated from business process					
Tasks have been automated.					
Physical constraints have been elevated in business processes by applying new technology.					
Controls have been moved towards the customer					
Contact between the customer and third parties have been reduced					
Customer complaints have reduced					
Geographically dispersed resources have been centralized					
The number of departments, groups and persons involved in a business process have been minimized					
Employees have been empowered by being given more decision-making authority					
The organization is able to achieve its strategic objectives					

### **APPENDIX III: Interview Guide**

- 1) Does KRA have a mission? If so, what is it?
- 2) What are the founding values that KRA has built upon?
- 3) What does the KRA strategy seek to accomplish?
- 4) Has KRA made a plan to use its resources and capabilities to deliver its strategy?
- 5) How is KRA structured?
- 6) What are the reporting and working relationships (hierarchical, flat or silos)?
- 7) What are the primary business and technical systems that drive KRA?
- 8) How is information shared (formal and informal channels) across the organization?
- 9) Do the employees have the right capabilities to do their jobs?
- 10) Are there gaps in required capabilities or resources? If so, have they been addressed?
- 11) How do employees respond to management/leadership?
- 12) Are there real teams functioning within KRA or are they just normal groups?
- 13) What skills are used to deliver the core products and/or services? Are the skills sufficiently present and available?
- 14) How are skills monitored, assessed, and improved?
- 15) What is KRA known for doing well?
- 16) Has BPR been implemented in KRA? If so, why was it implemented?
- 17) How was BPR implemented in KRA (steps involved)? Who was involved?
- 18) What do you consider as critical for successful implementation of BPR initiatives in KRA?